



BELMONT REDEVELOPMENT AGENCY

STAFF REPORT

Status Report on Relocation and Refurbishment of Emmett House and Request for Authorization to Negotiate with Mid-Peninsula Housing

June 8, 2004

Honorable Chair and Agency Directors

On June 10, 2003, the Belmont Redevelopment Agency authorized staff to prepare bid specifications for relocating and rehabilitating the Emmett House. This memo and attachments summarize the activities over the past year and seeks Agency's approval to negotiate a contract with Mid-Peninsula Housing Coalition for completion of the project.

Background

One year ago, staff completed a plan and project cost estimate for the Emmett House to:

- Relocate the structure to Agency-owned property at Sixth and O'Neill Avenues
- Return the exterior to the condition of a 1910 photograph, and
- Retrofit the structure for affordable housing

Garavaglia Architects prepared the plans with a cost estimate of slightly over one million dollars. The Board received and accepted staff's recommendation to:

1. Prepare detailed bid specifications
2. Initiate amendments to the General Plan and Zoning Map
3. Initiate applications for Conditional Use Permit and Design Review
4. Initiate an abandonment of right-of-way on Sixth Avenue.

Since that time, staff has been working to resolve a number of issues, including resolving the site plan / right-of-way problem and seeking alternative ways to approach the project, as described below.

Project Site Plan and Proposed Right-of-Way Vacation

As previously reported, staff concluded that the site would be better suited to the Emmett House, if some of the right-of-way along Sixth Avenue could be vacated in favor of the property. By

enlarging the site, and locating the house a bit further east, a more accommodating arrangement could be developed, including keeping the house away from the top of the slope along Belmont Creek.

Over the past year, staff has worked to identify how much right-of-way could be reasonably vacated, with specific attention given to the location of the concrete pipe under the right-of-way that channels Belmont Creek to the Bay. The pipe has been properly located – it was not where the plans said it should be – and a revised site plan has now been prepared showing the vacated right-of-way and a more favorable location of the house. With the new site plan, a complete entitlement application (General Plan amendment, PD zone change, design review application and right-of-way vacation request) can now be prepared.

Specifications for a Design / Build Project

The other task staff sought to accomplish was the preparation of bid specifications. Staff began this process by preparing and circulation a Request for Qualifications for a design / build team that would prepare the specifications and oversee construction and management of the project. The RFQ was circulated to twenty firms in the Bay Area in August 2003 and received two respondents. Both respondents were contractors who were interested in the construction portion of the project, but not interested in managing the completed project as affordable housing. In addition, neither bid included a competitive bid price, they both indicated that they would complete the project for the estimated \$1,020,000 cost. Staff did not believe this was a satisfactory result, so we rejected both bids.

Our next step was to decide what alternatives we might consider for the project. Staff met with Keith Anderson / Harris & Associates – the construction manager for the City Hall remodel. He made a number of useful suggestions about the project, especially regarding how to manage project oversight, assure we meet our project objectives and avoid costs spiraling out of control. From this discussion and further review of the project, staff determined that a ‘design / build’ approach remains the preferred way to approach the project, in contrast to the City actively managing the relocation and refurbishment. However, we determined that a more targeted search for a housing development and management firm would be necessary.

Short-term Construction and Long-term Management

Since the project would ultimately result in the development of multiple-family affordable housing, it is important that quality long-term management of the project be assured. While the construction could be achieved separately from the management, it would be more efficient to find an organization that can do both. This way, a long-term commitment to the project would be established at the outset. In San Mateo County, the largest organization that both develops and manages affordable housing is Mid-Peninsula Housing Coalition.

Staff has held several meetings with Fran Wagstaff, director of the development division of Mid-Pen Housing, to learn what they believe to be the important issues associated with the project and to see if they would be interested in taking it on. Ms. Wagstaff has raised several points that the Board should consider, and which we believe can best be addressed by a single construction / management entity:

Land Transfer – The RDA has several options: 1) Sell the land and the house, 2) Sell the land and the house, but include a ‘reverter’ clause on the land that returns it to the City after a number of years, or 3) Lease the land and sell the house. The lease provides underlying control of the property to the City, and can include provisions for maintaining the dwelling and grounds. The reverter allows similar control by the Agency, while providing a more favorable financing arrangement to the housing management firm, which, in turn, could lower the RDA’s project costs.

Affordability Limits – The project will be affordable to households with Moderate or lower income levels. The RDA Board has not determined if the actual limit will be Moderate, Low or Very Low. In addition, the RDA may wish to market the units to specified groups, such as employees within Belmont, employees of education institutions or similar targeted markets.

Mortgage Financing – It will be possible for the developer / manager to secure private financing to help with the construction of the project, thereby lowering the RDA’s direct costs. The Board will be expected to subordinate its lease / sale terms to the private lender. It may also structure its own terms with the developer to receive ‘residuals’ from the rents on the units, when such rents exceed certain agreed-upon limits.

In order to provide a more complete picture of what options might best suit the Board, staff believes that a *pro forma* on the project should be prepared. The pro forma would provide a simplified picture of the overall financial arrangements, including areas where some of the options described above might be more specifically explored. While staff does not have the expertise to prepare a project pro forma on the Emmett House, we believe that Mid-Peninsula Housing could do so.

Mid-Peninsula Housing Coalition

Staff also believes that the RDA should consider Mid-Peninsula Housing Coalition for completing and managing the project. Mid-Pen Housing is a locally-based not-for-profit housing developer, with significant experience in San Mateo County and the Bay Area. Their primary mission is to create affordable housing, and they have over 5000 units in over 75 developments, from Monterey to Solano Counties. In Belmont, they own and operate Horizons – a 24-unit housing development on Old County Road – and their main offices are in Redwood City.

According to Ms. Wagstaff, Mid-Pen Housing has relocated and refurbished historic homes as part of their housing development experience, and has also prepared targeted marketing plans to fulfill local affordable housing needs. They have reviewed the plans for the Emmett House and have expressed interest in the project. Based on our discussions with Ms. Wagstaff – who has been with Mid-Pen Housing for over twenty years – we believe that Mid-Pen Housing has the experience to relocate and refurbish a historic property, provide effective long-term housing management, and respect the RDA as an important partner in the development of the Emmett House as affordable housing. We recommend that staff be directed to negotiate with Mid-Peninsula Housing Coalition to prepare a pro forma and draft contract for the Board’s review.

Fiscal Impact

As noted above, the architect's cost estimate for the project is \$1,020,000. Actual costs may vary from this estimate. In addition, reductions in the RDA's cost may be realized by any private financing obtained by the developer. However, staff has concluded that adequate funds are presently available in the LMI fund for the full cost of the Emmett House relocation and refurbishment.

Recommendation

Staff recommends that the RDA Board direct us to develop a pro forma and negotiate a contract with Mid-Peninsula Housing Coalition for the development and operation of the Emmett House for affordable housing. Staff will return to the Board to discuss negotiation details as necessary, and for final approvals.

Alternatives

1. Direct staff to modify the project based on Agency direction
2. Abandon the relocation / refurbishment of the Emmett House at Sixth and O'Neill Avenues, and direct staff to identify other options for the Emmett House structure.

Public Contact

None (Staff report forwarded to Belmont Historical Society.)

Attachments

- A. Emmett House Staff Report – June 10, 2003
- B. Emmett House RFQ – August 2003

Respectfully submitted,

Craig A. Ewing, AICP
Community Development Director

Jere A. Kersnar
Executive Director